

ORIGINAL

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1 STATE OF NEW JERSEY
2 CASINO CONTROL COMMISSION

3 PUBLIC MEETING NO. 91-19

4
5 Wednesday, June 19, 1991
6 Atlantic City Commission Office
7 Tennessee & Boardwalk
8 Atlantic City, NJ 08401
9 10:45 a.m.

10 B E F O R E:

11 STEVEN P. PERSKIE, CHAIRMAN
12 VALERIE H. ARMSTRONG, VICE CHAIR
13 W. DAVID WATERS, COMMISSIONER
14 FRANK J. DODD, COMMISSIONER
15 JAMES R. HURLEY, COMMISSIONER

16 PRESENT FOR THE CASINO CONTROL COMMISSION:

17 BARBARA A. GALLO, PRINCIPAL RESEARCH ANALYST
18 THOMAS FLYNN, PUBLIC INFORMATION OFFICER

19 ON BEHALF OF THE COMMISSION STAFF:

20 ANTONIA Z. COWAN, ASSISTANT COUNSEL
21 E. DENNIS KELL, COUNSEL I
22 LEONARD J. DIGIACOMO, COUNSEL II
23 O. LISA DABREU, COUNSEL II
24 LON E. MAMOLEN, COUNSEL IV
25 KELLY L. CAMPBELL, ASSISTANT COUNSEL
CAROLE R. JACOBSON, ASSISTANT COUNSEL
BERNADETTE FRIGEN, PARALEGAL TECHNICIAN
LARRY ROUNDTREE, PARALEGAL TECHNICIAN
JOSEPH GUIDO, PRINCIPAL APPLICATIONS ANALYST
KATHALEEN HAMER, PRINCIPAL APPLICATIONS ANALYST

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1 so indicate.

2 The record will reflect the motion
3 carries unanimously.

4 (All Commissioners present voted in
5 favor of the motion)

6 CHAIRMAN PERSKIE: Then moving ahead
7 to No. 12, I would entertain a motion to approve the
8 payment of the one million dollars pursuant to that
9 agreement on the basis of the record presented.

10 COMMISSIONER HURLEY: So moved.

11 VICE CHAIR ARMSTRONG: Second.

12 CHAIRMAN PERSKIE: All in favor will
13 so indicate.

14 The record will reflect that motion
15 carries unanimously.

16 (All Commissioners present voted in
17 favor of the motion)

18 CHAIRMAN PERSKIE: Mr. Bonner, go
19 back and tell all those people it wasn't really that
20 hard.

21 MR. BONNER: I intend to do so, Mr.
22 Chairman. It wasn't that hard. We got it done in
23 less than 30 days. I appreciate it.

24 MS. GALLO: Item 13, "State v Trump's
25 Castle Associates."

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1 Mr. DiGiacomo.

2 MR. DIGIACOMO: Mr. Joseph Fusco is
3 here on behalf of Trump's Castle Associates and Mr.
4 Thomas Auriemma is here on behalf of the Division of
5 Gaming Enforcement. I would ask Mr. Fusco to present
6 this matter to you at this time.

7 CHAIRMAN PERSKIE: All right.

8 MR. FUSCO: Good morning. The matter
9 is the complaint which is before the Commission which
10 was filed on April 3 of this year together with a
11 stipulation of facts and settlement agreement entered
12 into by both the licensee and the Division of Gaming
13 Enforcement.

14 The stipulation of facts and
15 settlement agreement speaks for itself, but it
16 addresses two issues conceptually. The first is
17 whether the casino cage, any casino cage, but in this
18 instance the casino cage at Trump's Castle may permit
19 the depositor to establish a front money or customer
20 deposit account and withdraw gaming chips through an
21 authorized representative of the depositor as opposed
22 to directly dealing with the depositor. That's the
23 question.

24 We have agreed in this stipulation
25 that to do so violates, is a violation, it is a

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1 violation in this regard. The Casino Control Act does
2 not address the question of whether or not an
3 authorized representative may transact business with
4 the casino cage. It's not addressed. The regulations
5 don't address it. The internal controls which are
6 approved by the Commission for Trump's Castle, this
7 particular casino, don't address it. It is not
8 expressly prohibited.

9 This transaction was fully recorded
10 appropriately under the regulations that apply to
11 customer deposit accounts which are precise and
12 require much documentation. In addition to what was
13 required it was monitored by a surveillance tape which
14 recorded the entire transaction from the fills of the
15 table to the actual transfer of gaming chips to the
16 representative.

17 I submit that, and believe that the
18 transaction offended no policy underlying the statute
19 or the regulations. However, discussion with the
20 Division of Gaming Enforcement which led the licensee
21 to agree that this is a violation is that if you will
22 engage in these kinds of transactions your internal
23 controls should provide for this type of phenomena
24 which is dealing through a representative. They do
25 not, we agree, that's the violation.

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1 The second violation is whether the
2 purchase of gaming chips require prior notice to the
3 Commission or qualification of the purchaser as a
4 financial source.

5 Firstly, I point out that there is no
6 question that the depositor was not prior qualified.
7 There is no question about that. That is stipulated.
8 Generally there are no undisclosed terms to this
9 transaction. It is no more than it is. It is a front
10 money customer deposit for which gaming chips were
11 issued and that is the entire transaction. Such a
12 cage transaction as a general proposition does
13 not--does not categorize the purchaser of those chips
14 as a financial source. In this instance in the
15 context of the facts which occurred and are stipulated
16 in the settlement, the licensee has agreed that the
17 purchaser here is a financial source. The Commission
18 did not prior to our agreement require or make that
19 determination. That was a result of discussion with
20 the Division of Gaming Enforcement and the licensee.
21 So there is a violation because if the purchaser is a
22 financial source there has to be prior notice to the
23 Division and Commission of the transaction. It is a
24 new financial source and there has to be qualification
25 of that financial source before the transaction can

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1 occur.

2 The purchaser, Mr. Fred Trump, is not
3 unknown to the regulatory authorities. When Mr.
4 Donald Trump, his son, was licensed in 1991, Mr. Fred
5 Trump was the subject of significant analysis in the
6 written report which was submitted on that basis which
7 is part of the overall record that the Commission
8 maintains.

9 CHAIRMAN PERSKIE: What year did you
10 refer to?

11 MR. FUSCO: 1981 when Mr. Trump was--

12 CHAIRMAN PERSKIE: I think you
13 inadvertently said 1991, and by the way, on that point
14 while I am at it, paragraph 22 of the stipulation
15 contains a typographical error. It refers to February
16 of 1990 when it apparently means February of 1991.

17 MR. AURIEMMA: That's correct.

18 MR. FUSCO: Sorry. Point number one,
19 Mr. Fred Trump was reported on.

20 Point number two, Mr. Donald Trump
21 has continued to qualify before the Commission in
22 regards to his associations from then until now. As
23 the father of Mr. Trump and as family, Mr. Fred Trump
24 was always within the ambit and proprieties of his
25 part would have had potential to affect Mr. Donald

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1 Trump's qualifications and they have obviously been
2 reviewed on an annual basis.

3 Mr. Fred Trump as a result of
4 discussions with the Division of Gaming Enforcement
5 and at the request of the casino licensee promptly
6 filed a personal history disclosure form when the
7 Division requested it and permitted the Division to
8 report and the Commission to rule and the Commission
9 has ruled that Mr. Fred Trump is qualified as a
10 financial source and did so on June 5. I'm not
11 attempting to distort in anyway what the transaction
12 is. It is what it is. It has all the circumstances
13 that surround it and we submit that it is a violation,
14 but it's a violation which it is a unique transaction
15 and it is not so clear as a normal transaction with a
16 new bank unknown to the Commission never before dealt
17 with under normal terms of a loan of some sort. It is
18 a different type transaction and I think that the
19 Commission sees it and understands it for what it is.

20 I don't think you need to hear more
21 from me, but I certainly will respond to any questions
22 if there are any.

23 CHAIRMAN PERSKIE: Thank you.

24 Mr. Auriemma.

25 MR. AURIEMMA: Good morning, members

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1 of the Commission. I think Mr. Fusco has outlined the
2 basic violations that occurred here. I think we
3 should also note that this particular complaint and
4 stipulation of facts and settlement agreement stems
5 from events that occurred on December 17 of 1990 when
6 it was clear that the Trump Castle Casino Hotel had a
7 large amount of money to make an interest payment to
8 its bondholders on that date of 18.4 million dollars,
9 but did not quite have enough, and I think it is also
10 clear that the cash that it had on hand plus the funds
11 or some of the funds that were received from Mr. Fred
12 Trump were used to pay that bondholder payment in a
13 timely fashion on December 17.

14 The Division had been tracking really
15 since last summer the cash position of all the Trump
16 casinos and in particular the Trump's Castle Casino,
17 and when that payment was made the Division made
18 appropriate inquiries as to the source of funds
19 because we knew what the balances were, we knew what
20 the house funds were, we knew what the other available
21 cash on hand was. There was no attempt to conceal the
22 transaction. It was videotaped, it was documented.

23 We at the Division attempted to
24 analyze it and see how it fit into the regulatory
25 system and whether or not there were any violations of

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1 the Casino Control Act. After analyzing it, that
2 prompted a letter dated June 14, 1991 to then counsel,
3 outside counsel for Trump's Castle, Mr. Ribis, with
4 copies to the Chairman and to Commission staff
5 indicating that it was the Division's position that
6 Mr. Fred Trump by virtue of this transaction although
7 unique would be a financial source in the Division's
8 view and reserved the rights of the Division to file
9 any regulatory action as they saw fit.

10 There was agreement with the
11 licensee, there was subsequent cooperation. Since
12 there are no particular forms for financial sources,
13 the Division requested a personal history disclosure
14 form from Mr. Fred Trump. That was received. The
15 investigation ensued and the investigation resulted in
16 the Division's letter to the Division which the
17 Commission considered at its last public meeting on
18 June 5.

19 In a similar vein, however, the
20 Division felt that there was a violation of certain
21 conditions and statutory provisions and felt the need
22 to file a complaint. In filing the complaint,
23 however, we took into account a number of things. We
24 saw an opportunity here to resolve this matter in
25 early fashion and resolve it in a way that would

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1 preclude litigation that would take some period of
2 time and so what we did was we shared a complaint with
3 the licensee and we negotiated from that a stipulation
4 of facts and settlement agreement and the goal being
5 to file all at one point in time which was done on
6 April 3 a complaint and stipulation of facts and
7 settlement agreement. That was done. Our main
8 purpose in doing that was the fact that there was at
9 least the indication that Fred Trump might be used at
10 a subsequent date as a financial source. That was
11 really the goal in December I believe and, therefore,
12 our main focus was on the investigation of the
13 qualifications of Fred Trump. But again there are the
14 violations that are set forth in this particular
15 stipulation of facts and settlement agreement.

16 I can answer more specific questions
17 if you will, or if you desire. At this point we would
18 request that this particular stipulation of facts and
19 settlement agreement be accepted.

20 CHAIRMAN PERSKIE: Thank you, Mr.
21 Auriemma.

22 Anybody on the Commission have any
23 questions for either counsel?

24 VICE CHAIR ARMSTRONG: Yes.

25 CHAIRMAN PERSKIE: Vice Chair.

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1 VICE CHAIR ARMSTRONG: First I have a
2 couple of observations and then I guess that will
3 ultimately lead to perhaps a question, but I am really
4 mystified by this settlement and I think I had
5 indicated a couple weeks ago at the Castle and Plaza
6 license renewals that I was rather concerned about the
7 situation which we are looking at today, but I didn't
8 want to prejudge at that time since all of the facts
9 were not before me. I guess to put it quite simply is
10 that I still don't feel that all the facts are before
11 me. This to me is a really serious situation and it
12 is serious because since last August we have been
13 involved in a series of hearings involving the
14 financial stability of various Trump entities,
15 very--at least proceedings that I take very seriously,
16 and it just seems to me that the clear and
17 unmistakable inference here, even though it's not set
18 forth in the words, although I think it's been alluded
19 to by the attorneys is that there was a transaction
20 here to provide monies to a financially distressed
21 casino by an unqualified source and I guess the fact
22 that it's Fred Trump, that it's a transaction between
23 father and son and that perhaps Fred Trump is known to
24 some people in the regulatory system, I have never had
25 any prior information about Fred Trump, but that

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1 really doesn't provide me with any comfort because I
2 think that by approving the settlement we are sending
3 out a message that it's okay to do this and all along
4 I have been hearing in the various Trump financial
5 stability hearings that integrity questions are not in
6 issue, everything is on the up and up and it seems to
7 me a financially distressed casino should not be
8 deliberately violating the financial source
9 qualification provisions of the Casino Control Act.
10 It's just not acceptable to me. I guess what really
11 bothers me here, the violation itself bothers me
12 tremendously, but the settlement itself bothers me
13 because we have not been told who concocted this
14 scheme, who participated in it other than the fact
15 that Fred Trump gave the monies to an attorney named
16 Howard Snyder or why it was perceived to be necessary
17 for the transaction to take the form that it did, and
18 I guess what really concerns me here is the next time
19 something like this happens it may not be between
20 father and son, it may not be between Fred Trump and
21 Donald Trump, and I think unless we send out a clear
22 message that this type of conduct is not acceptable I
23 think we are sending out the wrong message and I guess
24 my basic question to both the counsel here is why do
25 we have a settlement that is so sparse? Why doesn't

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1 it give this Commission more information as to why
2 this transaction was necessary because it sure isn't
3 apparent to me, and I don't know if you can answer
4 that.

5 MR. AURIEMMA: Well, I will attempt
6 to answer some of those questions.

7 First, why was the transaction
8 necessary? In the first instance the transaction was
9 necessary from the Castle's point of view, they wanted
10 to make a timely interest payment on December 17.

11 VICE CHAIR ARMSTRONG: That I
12 understand. I understand the need for funds, but I
13 don't understand I guess the format.

14 MR. AURIEMMA: I am going to try and
15 analyze it the way I analyzed it at the time and Mr.
16 Fusco can correct me if I'm wrong.

17 Castle had a good amount of money,
18 but not enough to make the 18.4 million dollar
19 interest payment on December 17. They chose this type
20 of transaction, which I will allude to further in a
21 minute, to infuse funds into the facility so that the
22 interest payment could be made in a timely fashion.

23 What else could they have done? The
24 Trump's Castle had no available credit lines at that
25 point to utilize. That was clear. So they couldn't

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1 go that route. They could have asked, they, The Trump
2 Organization, Mr. Trump himself, could have asked the
3 Credit and Override Agreement banks for an advance on
4 the 65 million dollar new money facility. There was
5 still, you know, funds that had not been used from
6 that facility. I don't want to put words in Mr.
7 Fusco's mouth, but I think the reason why that was not
8 done, and this is how I analyzed it, was first if you
9 recall from last August other than the 20 million
10 dollars that was advanced in June of 1990 to Mr. Trump
11 for use at Trump's Castle, no other advances from that
12 new money facility was to be earmarked for Atlantic
13 City. So there was that particular problem although
14 there was at least in theory nothing to prevent Mr.
15 Trump, Donald Trump, personally from asking the banks,
16 requesting the banks, requisitioning from the banks
17 permission for a loan to him that he could then loan
18 to Trump's Castle. He could have done that. That
19 would have required time to get their permission in
20 which it could have been obtained. I don't know if it
21 could have been obtained. I don't believe it was
22 attempted. But in any event, if it had to be
23 attempted it certainly should have been attempted
24 before December 17 because it obviously would have
25 taken some time.

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1 I think there was also a question of
2 if it was done that way whether or not that money that
3 was loaned let's say from Donald Trump personally down
4 to Trump's Castle what status that would have and I
5 think that was a concern whether it would be secured,
6 unsecured or considered a capital contribution I think
7 were concerns of them.

8 So this type of transaction was
9 chosen instead. It is not a transaction that the
10 Division approves of. I want to make that crystal
11 clear. We do not approve of this transaction, and you
12 indicated earlier, Commissioner, that you are
13 concerned about sending a message. We are too, and
14 that message should be that any type of transaction
15 like this or in anyway which attempts to circumvent
16 the notification provisions that are contained in the
17 standard Commission resolutions regarding financial
18 sources should not be condoned. That's the message we
19 think should be sent from this. This type of
20 transaction should not be engaged in by the Trump
21 casinos in the future or any other casino. You don't
22 use a situation that is intended to be a gambling
23 transaction and turn it into a financial transaction
24 to infuse money into a casino hotel. That's what we
25 believe was wrong with this and that's why we filed a

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1 complaint. That's why I believe there are admissions
2 of liability.

3 Now, you might ask, well, there is
4 only a \$30,000 settlement here, why isn't this a much
5 more serious violation? Why isn't the sum much
6 larger? Why isn't the penalty greater? I respond in
7 this way. As with any negotiated settlement there is
8 a give and a take. The ultimate settlement was
9 reached between Mr. Fusco and myself, and in the
10 Division's view the amount of the settlement was not
11 the key. The principle of the settlement was the key
12 and we were more concerned with sending that type of
13 message that we don't want these types of transactions
14 to occur in the future rather than whether it was
15 \$30,000 or some other particular figure. We did
16 settle on an amount of \$30,000.

17 There are other factors that went
18 into that besides that. We considered the source of
19 the funds which was Fred Trump, and I agree with you
20 that Fred Trump was never in our system before
21 although there were reports about him in 1981. We did
22 consider the fact that he was the father of Mr. Trump
23 and there was that familiar relationship. He was not
24 an unknown or a totally unknown third person. I mean
25 if the facts were different there may not be a

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1 settlement here and the complaint maybe would have
2 been vastly different. We looked at these unique set
3 of facts. If this had been a totally third person I
4 dare say I probably would not be standing here today
5 arguing for acceptance of this settlement, but that
6 was a factor.

7 The other factors were, of course,
8 that it was fully documented, videotaped, full
9 cooperation from Fred Trump, from the licensee and the
10 licensee's representatives. Also the fact that the
11 real goal ultimately seemed to be to have Mr. Trump
12 available as a financial source in the event that any
13 of the Trump licensees needed his resources, although
14 I guess from the hearings we just had the last couple
15 of days it does not appear at this point that he would
16 be utilized as a financial source on a going forward
17 basis, although there is nothing at the moment to
18 prohibit that.

19 The other thing that I considered
20 when we negotiated this particular settlement is let
21 us suppose, and I talk to myself in a hypothetical
22 way, let us suppose back in December there was a need
23 for money at Trump's Castle, what could they have done
24 with Fred Trump? Well, let us suppose an interim
25 casino authorization situation had come about and they

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1 still purchased the chips, they said, okay, this is
2 the way it is going to be done. I don't believe
3 that's the way financial sources should operate. I
4 don't think the statute ever contemplated the infusion
5 of money into a casino hotel by a financial backer to
6 work through a chip situation. I just don't think
7 that was of the case and this is the first time
8 obviously we had ever seen anything like this and
9 something we want to prevent in the future.

10 The other thing that we considered
11 was that even if there were an interim casino
12 authorization order and a trust arrangement, et
13 cetera, if you look at it as an interest free type of
14 loan, which is what it is, there is no interest on
15 this at all, even if in the hypothetical situation Mr.
16 Fred Trump being disqualified, which he has not been,
17 at a minimum he received his investment back under the
18 interim casino authorization provisions. So that was
19 just another factor that we utilized to buy into this
20 particular settlement.

21 The one thing you said, Commissioner
22 Armstrong, earlier was that the Castle received funds
23 from an unqualified source and I don't want to quibble
24 about the word, but I like to use the phrase a not as
25 yet qualified source because he was never found

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1 unqualified. Sometimes that has a negative
2 connotation. I hope I have--

3 VICE CHAIR ARMSTRONG: Well, there
4 was a second part to the question and that is why
5 don't we know who the individuals were involved in
6 this?

7 MR. AURIEMMA: Obviously, again, in
8 any type of settlement situation we had to determine
9 whom, who was the appropriate party to name. In our
10 judgment and in the Division's we believed that the
11 proper liability rested on the licensee, Trump's
12 Castle. We did not believe it was appropriate and
13 take them in order to charge Mr. Fred Trump. I'm not
14 saying that we don't have the authority necessarily to
15 do that, but there is an open question as to whether
16 we could have from these circumstances charged Mr.
17 Fred Trump as a respondent here. In Section 108 of
18 the statute talks about proceedings against licensees
19 and registrants and while I'm not going to concede
20 that the Division doesn't have the authority to file a
21 complaint against Mr. Fred Trump, there is at least
22 that open question, and given that and given the fact
23 that we felt an overall settlement and a quick
24 settlement and an investigation of his qualifications
25 was more appropriate, we did not see the need to name

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1 him.

2 With respect to individuals and why
3 other individuals were not named, that again was
4 something that the Division felt that should not be
5 done in this particular case given the unique
6 circumstances of this case. We did not believe that
7 there was sufficient fault to rise to the level of
8 naming individuals and we chose not to do so.

9 VICE CHAIR ARMSTRONG: I hear you. I
10 don't buy it, but I hear you. Thank you.

11 COMMISSIONER WATERS: Mr. Chairman.

12 CHAIRMAN PERSKIE: Commissioner
13 Waters.

14 COMMISSIONER WATERS: Before you
15 leave, Mr. Auriemma, I have some of the same concerns
16 that Commissioner Armstrong raised and one factor
17 here, two factors I guess come out of your
18 discussion. Part of the reason for reaching this
19 settlement was based on the fact that it was Fred
20 Trump involved as opposed to John Jones out in the
21 street which indicates that maybe what we are doing is
22 suggesting that you have two standards for determining
23 what the penalty is going to be, but over and above
24 that, this last point that you raised that you didn't
25 choose to file complaints against other individuals,

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1 and I can understand the Fred Trump arrangement, but
2 were there other individuals involved in this?

3 MR. AURIEMMA: Well, obviously there
4 are individuals who contacted Mr. Fred Trump and those
5 were the individuals whom you would obviously seek to
6 charge.

7 COMMISSIONER WATERS: So you know
8 there were other individuals involved?

9 MR. AURIEMMA: Yes. I mean it didn't
10 just happen that Fred Trump woke up one day and
11 contacted Howard Snyder. Obviously there were
12 representatives of The Trump Organization.

13 COMMISSIONER WATERS: From reading
14 the settlement I would come away with that feeling
15 that this was dreamed up by Fred Trump alone.

16 MR. AURIEMMA: No, I don't believe
17 that, no, not at all.

18 COMMISSIONER WATERS: But you chose
19 not to charge anyone presently in The Trump
20 Organization?

21 MR. AURIEMMA: That's correct.

22 COMMISSIONER WATERS: Well, that's
23 your prerogative I guess as a prosecutor, but I,
24 again, I'm not going to buy into that quite honestly.

25 MR. AURIEMMA: Okay.

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1 CHAIRMAN PERSKIE: Thank you.

2 Anybody else have any other questions
3 of counsel?

4 All right, the matter is before us on
5 a proposal that would implicate sanctions against the
6 licensee as is contemplated in the proposed
7 stipulation. Accordingly, the Commission can and
8 chooses to exercise its right to deliberate on the
9 matter at a closed session. I'm not sure we will be
10 able to complete that today. I will tentatively
11 schedule it for the closed session perhaps before this
12 afternoon's public session. I'm not sure we can
13 accomplish it today. If we can we will announce it.
14 If we can't we will let you know.

15 MR. FUSCO: Thank you.

16 MS. GALLO: Item No. 14, "Application
17 of L. A. Mitchell and Associates, Inc."

18 Ms. Cowan.

19 MS. COWAN: Mr. Chairman and
20 Commissioners, this matter is before you from an ALJ
21 decision filed May 3, 1991 which--

22 CHAIRMAN PERSKIE: Ms. Cowan, excuse
23 me for a moment. Is there anyone here for L. A.
24 Mitchell Associates or representing them? L. A.
25 Mitchell Associates or any representative of the